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**FEDERAL COMMUNICATIONS COMMISSION
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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of

MCI TELECOMMUNICATIONS CORPORATION

RM No. 9108

**Billing and Collection Services Provided
By Local Exchange Carriers for Non-Subscribed
Interexchange Services**

**OPPOSITION OF SBC COMMUNICATIONS INC.
TO PETITION FOR RULEMAKING
OF MCI TELECOMMUNICATIONS CORPORATION**

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July 25, 1997

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**OPPOSITION OF SBC COMMUNICATIONS INC.
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SBC Communications Inc. ("SBC"), on behalf of Southwestern Bell Telephone Company ("SWBT"), Pacific Bell ("Pacific") and Nevada Bell ("Nevada"),¹ opposes the Petition for Rulemaking ("Petition") filed by MCI Telecommunications Corporation ("MCI") in the above-referenced matter.² As explained in more detail below, MCI's Petition should be denied because it does not disclose "sufficient reasons in support of the action requested to justify the institution of a rulemaking proceeding," as is required by the Commission's rules.³

¹SWBT, Pacific and Nevada are referred to herein collectively as "SBC" unless otherwise indicated.

²MCI filed its Petition pursuant to Commission Rule 1.401, 47 C.F.R. Section 1.401. Petition, at 1.

³47 C.F.R. Section 1.407.

I. SUMMARY

MCI claims Commission action is required to establish two points advanced by MCI: (1) a LEC which may choose to terminate providing billing and collection services to unaffiliated "casual calling"⁴ providers should not be permitted to provide these services to its affiliates that provide casual calling to end users; and (2) a LEC should not be permitted to provide billing and collection services to such affiliates on terms more favorable to those extended to non-affiliates. However, there is no reason why the Commission should address these matters at all, and several reasons why it should not.

The billing and collection services marketplace, as well as firmly-established and measured regulatory approaches regarding such services, already provide MCI all that it needs to offer its customers casual calling services, and to bill and collect for them. SBC did not push MCI into the casual calling market. MCI alone decided to enter and exploit that business opportunity as a part of its overall long distance business plans. Having made that business decision, there is no reason why the Commission should re-regulate billing and collection services rendered in the casual calling sector of the long distance market. These services have been detariffed for over ten years⁵ and should remain free of regulation. In short, MCI alone must bear the costs of its unilateral decision to aggressively market its 1-800-COLLECT, 10XXX, and other casual calling campaigns. This is particularly so if, as all

⁴I.e., calls made on other than a presubscribed or "PIC'd" basis.

⁵Detariffing of Billing and Collection Services, Report and Order, 102 FCC 2d 1150 (1986) ("Detariffing Order").

indications suggest, MCI should continue in the future to “take back” from the LECs its PIC’d (and perhaps other) billing and collection business.⁶

In addition, SBC’s tariffed Billing Name and Address information (“BNA”) already provides MCI with the information it needs to perform its own billing and collection functions. MCI’s multiple criticisms of the Commission’s various BNA orders and the LECs’ effective BNA tariffs are not justified by the facts. Rather, they represent erroneous, belated and collateral attacks on these orders.

Finally, from the perspective of the Telecommunications Act of 1996 (“Act”), the Commission surely need not gear up for a rulemaking so as to preserve any competitive equities between MCI and SBC’s eventual Section 272 affiliate. Section 272(c)(1) already ensures that any billing and collection services that would be made available by a BOC to its Section 272 affiliate providing interLATA telecommunications services would likewise have to be made available to other IXCs (including MCI) at the same rates, and at the same terms and conditions. As MCI itself concedes, “enforcement actions are sufficient at present to secure IXC statutory rights.”⁷

Accordingly, MCI’s Petition should be denied in all respects. The Petition presents no sufficient reasons that warrant the Commission’s initiating a rulemaking on either of the points MCI advances.

⁶MCI claims that casual calling represents “approximately \$11.6 billion in gross revenues in the \$75 billion long distance market in 1996,” i.e., about 15%. Petition, at 1.

⁷Petition, at 15.

II. MCI SHOULD BE REQUIRED TO ADDRESS SEVERAL IMPORTANT ISSUES BEFORE ANY SERIOUS CONSIDERATION IS GIVEN TO INITIATING A RULEMAKING PROCEEDING.

The intent of MCI's Petition is straightforward. Though cloaked in public interest considerations (e.g., references to a consumer's desire to call 1-900-THE POPE),⁸ the Petition in actuality is less altruistic. It essentially asks that the Commission initiate a rulemaking that would force LECs to provide the billing and collections associated with MCI's casual calling line of business. Yet, MCI offers no facts or sufficient policy reasons to support this request, only conjecture.

MCI fails to specifically and fully explain: (1) why MCI's own systems and operations, which already engage in billing and collections, cannot be effectively utilized for its casual calling market;⁹ (2) why MCI's costs for LEC billing and collections for casual calling are excessive (and, in fact, they are not); (3) why LECs should be forced to bill and collect for MCI's casual calling business at subsidized prices even as MCI "takes back" from the LECs its PIC'd billing and collection business (to foster the MCI One, one-stop image); (4) why SBC should be forced to subsidize the costs of billing and collections work associated with MCI's losses due to toll fraud and other uncollectibility factors (notwithstanding MCI's vigorous TV, radio, print and other casual calling advertising

⁸Petition, at 3.

⁹In this connection, MCI could discuss any business or regulatory reasons why British Telecommunications P.L.C., which may merge with MCI and is the "dominant LEC" in England, does not provide billing and collection services to casual calling services providers, nor is it required to do so.

campaigns);¹⁰ (5) why the Commission should not require that MCI comply with the Commission's several BNA Orders, or at least, why the BNA that MCI may need for billing and collection is not realistically available to it; and (6) how the Telecommunications Act of 1996 ("Act"), which ensures that any billing and collection services that BOCs may provide to their Section 272 affiliates must be provided to non-affiliates on a nondiscriminatory basis, does not already sufficiently protect any legitimate competitive concerns MCI may have.

Unless MCI can provide these and other details, the Commission's and LECs' resources should not be wasted in providing MCI a potential route to foist upon LECs and their billing and collections customers MCI's own costs of conducting a very lucrative business that MCI alone determined to enter and exploit.

III. NO ONE SHOULD BE REQUIRED TO SUBSIDIZE MCI's PLANS TO BILL FOR ITSELF 1+ CALLS, BUT NOT "CASUAL CALLING" CALLS.

A. The Current System Has Served Well In A Detariffed Environment.

There is no quarrel with the proposition that some uncollectibility concerns are present in the casual calling market. It may safely be assumed that the collective costs associated with customer inquiries directed to LECs, instances of fraud, bill rendering, treatment and collection efforts, and bad debt are higher in the casual calling market than in the PIC'd market.

¹⁰SBC fully appreciates that collect and third number calls are made from time to time by low to moderate income households; however, the focus of this matter is, in reality, a broad based marketing and advertising campaign emphasizing the features of MCI's casual calling services, particularly its 10XXX and 1-800-COLLECT services.

Though MCI discusses these concerns generally, nowhere does it explain why their presence requires that the Commission turn back the clock and re-regulate billing and collection services so that LECs, not MCI, are saddled with the obligation to “treat and collect” MCI’s casual calling customers. There is simply no logical reason why the Commission should intervene in this matter, particularly where, as here, the parties have negotiated satisfactorily by contract for many years and MCI has various options available to it.

SBC’s subsidiaries offer billing and collection service for message billing in a manner that does not distinguish between PIC’d and non-PIC’d calls. For example, SWBT’s various pricing plans are based solely upon an individual customer’s total toll messages billed, regardless of the type of message. Similarly, Pacific’s rates, terms and conditions do not distinguish between PIC’d and non-PIC’d calls billed through its message billing platform. This allows both large and small billing and collection customers to choose a service that is most economical and attractive to them, regardless of the long distance calling “sector” they may serve.

SWBT has offered various rate plans as well. Originally, SWBT offered rates which differed depending upon the term to which the customer chose to commit (1, 3 or 5 years). In the late 1980s, however, SWBT added two other rate plans offering a “volume discount” (a volume of messages commitment expressed as a percent of a customer’s messages billed through SWBT as against all customer messages).

Under one version of the volume discount arrangement, where a customer elected to submit 90% of its messages regardless of type (whether 1+, 10XXX, third number, collect or

calling card), SWBT provided a discounted price. This version was negotiated with MCI, and MCI became SWBT's first contracted customer under this arrangement.

The second version of the volume discount arrangement allowed for a range of message volume commitments at various rates. The pricing scale differed, depending on commitments of 40%, 60%, 70%, 80% or 90% of total customer billings. This version was discontinued because there was no demand for it.

In March, 1997, SWBT modified its contract form to offer two pricing options: a discount 3-year pricing plan (with a message volume discount pricing arrangement), and a standard 3-year pricing plan (with pricing not based on any required message volumes). New rates, and the 85% volume discount, become effective in January, 1998, and are available to all IXCs, including MCI.¹¹

As shown above, SBC's billing and collection plans for IXCs have a fundamental characteristic: prices that are not dependent on type of call (whether PIC'd v. non-PIC'd). SBC does not isolate one type of call's cost and provide a price more or less than another type. This has been the case since divestiture, so that throughout this period an averaged price has been the basis for the billing and collection of long distance calling services, whether PIC'd or non-PIC'd. SBC views its billing and collections arrangements as preferable because it does not believe that pricing plans offered to a full toll service carrier (which may offer 1+, 10XXX and other services) should be more advantageous than plans offered to a carrier offering less than a full complement of toll services. This also reflects marketplace

¹¹In a meeting with the Enforcement Division earlier this year, SBC provided a copy of its billing and collection contract to John Muleta, Chief of the Enforcement Division.

demand, because customers also want standard or discounted rates for billing and collecting all of their toll messages, regardless of the type of messages.

The determination to offer a discounted price for an 85% volume commitment reflects the need to establish a large enough message/end user base to arrive at a fair, average-priced billing and collection service. Should any customer desire services for less than 85% of all of their messages (or even only one or more types of call messages that would have the same effect), they are free to do so under the standard rate plan. This plan is designed to recover the higher costs to provide billing and collection services on a non-volume commitment basis.

Heretofore, the arrangements which have prevailed have been largely acceptable to both billing and collection service customers. This is so because, as the Commission envisioned over ten years ago, competition has been effectively substituted for regulation in this market.¹²

B. MCI's Plan, If Successfully Executed, Will Drive Up Casual Calling Prices That Would Adversely Impact Casual Callers and IXC's Other Than MCI Who Specialize In That Niche Market.

The Commission should appreciate the significance of certain marketplace events that may well unfold:

- MCI eventually will "take back" its 1+ billing and collection business from the LECs (major IXC's, including MCI, already have internal billing systems and directly bill and collect from their large/medium business customers and

¹²See, e.g., Detariffing Order, at para. 38 ("[W]e conclude that detariffing will enhance competition in the billing and collection market by giving LECs the flexibility in structuring and pricing their offerings.").

selective small business and residential customers; a reduction in MCI's billing and collections with SBC is already occurring).¹³

- If MCI's Petition is successful, MCI will not take back its casual calling billing and collection business (including 10XXX, 1-800-COLLECT, etc.).
- If MCI's Petition is successful, LECs may not be able to negotiate its billing and collection contracts.

However, the "average" pricing arrangement previously supported by sufficiently high message volume commitments will crumble if 1+ messages are eliminated from the mix of all message volumes billed and collected by the LECs. This will result from the MCI One (a/k/a "one-stop") marketing program because MCI's own PIC'd customers will receive bills only from MCI, not SBC. However, MCI fails entirely to identify how consumers and niche toll competitors will be affected. It is not difficult to see this either.

As LECs are left with messages comprised of casual calling calls, but little if anything else, the averaged prices that have prevailed for many years cannot and will not be sustained. Two options will be presented to LECs: they must either refuse to perform billing and collection services at below-cost pricing, or they must be provided with sufficient contractual assurances of compensation over costs in order to continue offering these services. From SBC's perspective, no other options appear viable.

¹³See, Billing World, October, 1996 at 17-18 ("MCI, like most major IXCs, bills its commercial customers directly" and "very little had to change for their billing systems to take-back the bill.") & Austin American Statesman, August 1, 1996, at D1-2 ("Eventually, [an MCI spokesperson said], all customers will get a single MCI bill."), attached hereto as Attachments 1 and 2, respectively. Comparing the first six months of 1997 to the same period during 1996, MCI's PIC'd billings through SBC have decreased 20% while its casual billings have increased 5%.

Assuming the second option occurs, competition in the interexchange market will suffer. Higher costs may be passed on to all billing and collection customers, but most certainly those who provide casual calling services exclusively. These providers are IXC's that specialize in that market either on a voluntary basis or perhaps due to market realities over which they have no control. Smaller IXC's are sometimes unable to woo PIC'd customers to the same extent as large IXC's with sufficient finances to stage national, multi-media advertising campaigns. Further, the public interest will be compromised. The higher costs associated with LEC billing and collection of casual calls will ultimately fall on users of casual calling services. Finally, the LECs will be stripped of the opportunity to make the business decisions they have a right to make. This would be particularly unfortunate because MCI, as the true cost-causer, would evade the business obligations that accompany the unilateral marketing decision it has made.

In sum, MCI's Petition should be denied outright for the foregoing reasons and those expressed elsewhere herein. Importantly, before the Commission gives any consideration to initiating the rulemaking MCI seeks, MCI should be required to specifically answer why its own billing systems and other internal operations already in place do not afford MCI a sufficiently viable billing and collection vehicle for its casual calling customers (or why any necessary enhancements to them, if applicable, could not provide that vehicle). Furthermore, MCI should be required to answer all of the above several contractual, costing, business, and regulatory/public interest issues. In the meantime, the Commission and public interest would be better if the Commission rejects MCI's Petition.

IV. BNA ALREADY PROVIDES MCI WHAT IT NEEDS TO BILL FOR ITS CASUAL CALLING SERVICES AND MCI SHOULD BE MADE TO COMPLY WITH THE COMMISSION'S ORDERS REGARDING BNA.

MCI's discussion related to Billing Name and Address information ("BNA") is distorted and unjustified by the facts. The Commission should require, before it determines whether to initiate a rulemaking, that MCI clearly show that its access to the LECs' BNA is insufficient to allow it to bill and collect for casual calls. That showing has not, and cannot, be made.

MCI claims that current BNA rates "are largely unreasonable and bear no relationship to the LECs' actual costs in providing this service."¹⁴ It also claims that it remains unclear under current rules that BNA has to be provided for most 10XXX calling.¹⁵ Finally, MCI complains that various restrictions on BNA use serve to multiply IXC billing costs.¹⁶ These claims and complaints misrepresent the facts in several respects.

First, MCI provides no specific data to support its claim of unreasonable BNA rates. To the contrary, SWBT's and Pacific's rates are reasonable and, to our knowledge, MCI has never successfully argued otherwise to the FCC.

As the Commission will recall, only four years ago it determined to improve IXCs' ability to perform their own billing and collection functions associated with calling card,

¹⁴MCI PFR, at 8.

¹⁵Id.

¹⁶Id.

collect and third party calls. The Commission reasoned that such an improvement would facilitate the growth of competition in the market for billing and collection services.¹⁷

As a result, the Commission currently requires LECs to tariff BNA associated with calling card, third party and collect calls. This tariffing enables telecommunications service providers like MCI to perform their own billing and collection, thus further encouraging the development of competition in that market.¹⁸ Further, LECs are required to provide IXCs with BNA concerning customers who have presubscribed to that IXC.¹⁹ The Commission has concluded, however, that BNA information other than that associated with calling cards, third party and collect calls is not necessary to encourage the development of competition in the billing and collection market. Thus, LECs are not required to provide this BNA information under tariff.²⁰

Following the BNA Order, in September 1993, SWBT filed its proposed BNA tariff. That transmittal proposed a BNA Usage Rate of \$1.00 per 10-digit ANI request.²¹ MCI did not object to this rate, as it did not file any petition to reject or even suspend the transmittal. The \$1.00 rate, and other BNA rates, terms and conditions, were allowed to go into effect.

¹⁷Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards, CC Docket No. 96-115, Notice of Proposed Rulemaking, 6 FCC Rcd 3506 (1991) ("First Notice"), at n. 13; Second Report and Order, 8 FCC Rcd 4478 (1993) ("BNA Order"); Second Order on Reconsideration, 8 FCC Rcd 8798 (1993) ("Second BNA Recon Order") at para. 17; Third Order on Reconsideration, FCC 96-38, released February 9, 1996 ("Third BNA Recon Order") at para. 34.

¹⁸Third BNA Recon Order, at para. 38.

¹⁹Id.

²⁰Id.

²¹SWBT's Transmittal No. 2296, filed September 8, 1993.

MCI likewise did not object to Pacific's and Nevada's transmittals, and they too were allowed to go into effect. These companies' tariffed BNA rates are currently \$.80.²²

In February, 1994, SWBT and Pacific filed their proposed "unlisted" BNA tariffs. At that time, SWBT also proposed to reduce its per-query rate from \$1.00 to \$.80.²³ MCI filed a petition to reject or, alternatively, to suspend and investigate these and other BNA tariff proposals. However, while complaining of a range of items, including the limited uses for which the Commission had allowed BNA, MCI presented no objection whatsoever to the specific rates or costs associated with any of the LECs' BNA tariffs.²⁴ The Bureau allowed these tariff filings to take effect over MCI's several objections.²⁵

Finally, in April of this year, SWBT again sought to reduce its per-query rate, dropping the price to \$.30 per query.²⁶ MCI filed no objection, and the tariff was allowed to go into effect.

These multiple effective BNA tariff approvals, including approvals of the rates reflected in the underlying tariffs -- and further, MCI's failure to challenge these rates -- convincingly demonstrate the reasonableness of SWBT's, Pacific's and Nevada's BNA rates.

²²Pacific's Transmittal No. 1675, filed January 4, 1994; Nevada's Transmittal No. 188, filed January 4, 1994.

²³SWBT's Transmittal No. 2334, filed February 23, 1994, Pacific's Transmittal No. 1698, filed February 23, 1994; Nevada's Transmittal No. 192, filed February 23, 1994.

²⁴NYNEX Telephone Companies Tariff F.C.C. Tariff No. 1, Transmittal No. 279; MCI Petition to Reject or, Alternatively, to Suspend and Investigate, filed March 10, 1994.

²⁵Billing Name and Address Tariffs of Local Exchange Carriers For Subscribers with Unlisted or Nonpublished Telephone Numbers, Order, DA 94-400, released April 22, 1994.

²⁶SWBT's Transmittal No. 2624, filed April 4, 1997.

MCI's attempt now to show otherwise, three to four years after the fact, represent nothing more than a belated and collateral challenge that the Commission need not and should not entertain.

MCI's claim that it remains "unclear" that BNA must be provided for most 10XXX calling has no application to SWBT, Pacific or Nevada. These companies' provision of BNA service is not based on the fact that the call may be of the 10XXX variety. Further, no distinction is drawn in the tariff, relative to providing BNA service, between PIC'd and casual calling calls. SWBT, Pacific and Nevada reaffirmed recently that they have no plans to cease providing BNA service.²⁷ Moreover, SBC supports the principle that all LECs, whether incumbent or not, should provide IXCs with sufficient customer billing information to enable them to bill and collect for casual calling calls along with their PIC'd calls in a seamless fashion (should these IXCs choose to do so themselves or through a third party).

MCI's complaint regarding various restrictions on BNA use are unsubstantiated and irrelevant. Nowhere in its Petition does MCI provide specific facts demonstrating to what extent, if at all, these restrictions serve to multiply MCI's billing costs. Moreover, MCI should not be allowed to achieve elsewhere what it failed to pursue, or unsuccessfully pursued, just a few short years ago.

The Commission has squarely concluded that "[a]ccess to BNA will enable interstate service providers to seek payment for their services directly from the LEC [end-user]

²⁷ACTA Petition for Declaratory Ruling Regarding Access to Casual Calling Customer Billing Information, File No. ENF-97-04, Comments of SBC Communications, Inc., filed May 19, 1997, at 2.

customer.”²⁸ MCI’s criticisms of the LEC’s tariffs represent its attempt to “end-run” the Commission’s BNA-related orders without any sufficiently detailed showing that MCI’s access to BNA does not enable it to bill and collect for its casual calling product. This attempt should be rejected.

V. THE TELECOMMUNICATIONS ACT OF 1996 DOES NOT SUPPORT A RETURN TO REGULATION OF LEC-PROVIDED BILLING AND COLLECTION SERVICES.

The Telecommunications Act of 1996 (“Act”) signaled Congress’ determination that the Commission regulate less, not more. In addition, the Act itself provides MCI with the tools it desires to attain the competitive equity it claims to seek. Accordingly, although MCI claims that it is not requesting that the LECs’ provision of billing and collection services be re-regulated,²⁹ MCI’s Petition is exactly that and should be dismissed.

As the Commission has noted, the Act erects a “procompetitive, deregulatory national framework.”³⁰ MCI would have the Commission ignore this Congressionally-established framework. Worse, it would have the Commission reverse in part the eleven-year old Detariffing Order in which the Commission specifically decided that detariffing would “enhance competition in the billing and collection market by giving the LECs flexibility in

²⁸BNA Order, at para 1.

²⁹Petition, at 14.

³⁰Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, FCC 96-333, Second Report and Order and Memorandum Opinion and Order, released August 8, 1996, at para. 1.

structuring and pricing their offerings.”³¹ MCI’s narrow focus on casual calling, while ignoring PIC’d calling, essentially asks the Commission to re-regulate one segment of a market more to its liking. Yet, MCI provides “no indication that the billing and collection services provided by LECs to IXC’s heretofore have been anything but profitable for [MCI].”³² MCI’s invitation that the Commission disregard Congress’ framework for the sake of enhancing MCI’s casual calling revenues should be declined.

Moreover, the Act itself speaks directly to MCI’s demands. It carefully identifies “information sufficient for billing and collection” as a network element.³³ Nowhere in the Act did Congress expressly call for more, and its declining to do so in the face of this limited obligation demonstrates that it affirmatively determined not to do so.

Moreover, with respect to BOCs, Section 272(c)(1) of the Act provides that in its dealings with a Section 272 affiliate, a BOC “may not discriminate between that company or affiliate and any other entity in the provision of...goods, services, facilities, and information.” The Commission has fully addressed the scope of the BOCs’ obligation in this regard, and has already concluded that billing and collection is a “service” encompassed within Section 272(c)(1) and its nondiscrimination protections.³⁴ Thus, to the extent that a BOC would provide billing and collection services to its Section 272 affiliate providing interLATA

³¹Detariffing Order, at para. 38.

³²MCI Petition, at 13.

³³47 U.S.C. Section 153 (29) (emphasis added).

³⁴Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, CC Docket No. 96-149, First Report and Order, FCC 96-489, released December 24, 1996 (“Non-Accounting Safeguards Order”), at paras. 202, 217.

telecommunications services, it also would be required to provide such services to competing IXC's (including MCI) at the same rates, terms and conditions. Bluntly stated, Section 272 already squarely addresses both of the matters MCI attempts to bring before the Commission.

MCI is fully aware of the principle that Section 272(c)(1) requires that BOCs must treat unaffiliated entities "in the same manner as they treat their Section 272 affiliates."³⁵ Indeed, it candidly concedes that in light of Commission rules already in place to implement Section 272, "enforcement actions are sufficient at present to secure IXC statutory rights."³⁶ This concession speaks volumes, and the Commission need say no more.

SBC also notes that at some point in the future, it will have a subsidiary that will provide interLATA telecommunications services to the public, and quite possibly, casual calling services as a component of such services. To this extent, that Section 272 company will have a need to bill and collect for its casual calling services. Thus, SBC supports the principle that all LECs, whether incumbent or not, should provide IXCs -- including SBC's own future Section 272 affiliate -- with sufficient information to allow them to bill and collect for their services, whether directly or through third parties. However, this measured position in no way stands as any support for MCI's much broader Petition.

Accordingly, the Commission should not initiate the rulemaking requested by MCI. Returning billing and collection services to regulation would be at odds with Congressional intent. Moreover, MCI already is well aware of and may rely upon its statutory rights. A

³⁵Id., at para. 202.

³⁶Petition, at 15.

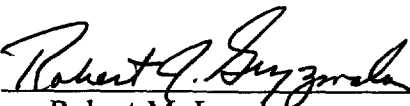
rulemaking to erect additional rules is neither required nor appropriate under these circumstances.

VI. CONCLUSION

A host of considerations suggest that there are no sufficient reasons that would justify initiating the rulemaking MCI seeks. There are already marketplace, regulatory and legal answers to both of the points MCI seeks to establish. Absent MCI's commitment to provide additional, detailed reasons why the Commission's or the industry's resources should be expended in a rulemaking proceeding -- particularly in view of the marketplace, regulatory and legal considerations enunciated here that MCI does not address -- the Petition should be denied outright.

Respectfully submitted,

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July 25, 1997

BILLING



OCTOBER 1996

Attachment 1
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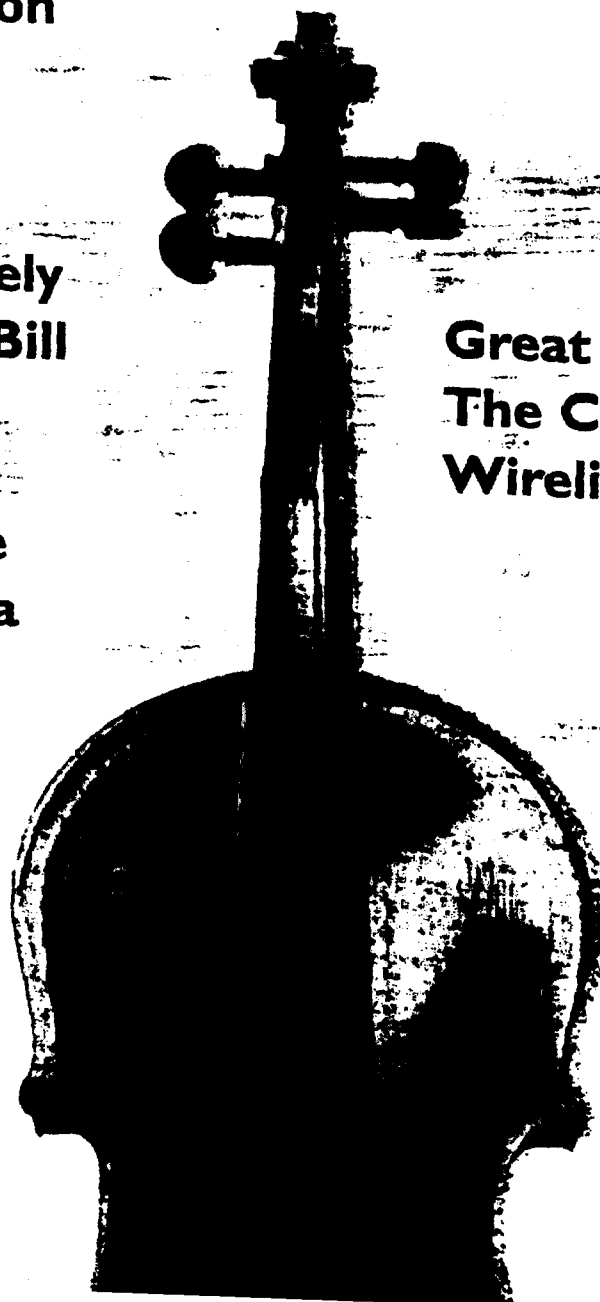
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**The Challenges
of Interconnection
from a Billing
Perspective**

**AT&T Aggressively
Taking Back Its Bill**

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**Great Performances:
The Consolidation of
Wireline Carrier Billing**



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AT&T Aggressively Taking Back Its Bill From the Local Exchange Carriers

Hurdles For Doing So Are Surprisingly Low

by Ed Bond

...our hope is to
maintain choice. We
have been able to
maintain a billing
relationship
with every RBOC,
except for SNET...

Tom Lang, division manager
for AT&T Direct Bill

The signing of the Telecom bill led some to speculate that customers would see a separation of their bill for local and long distance services before they would see all-inclusive one-stop shopping. That speculation has proven out in several states as AT&T has led the way in bill take-back, but that company's aggressive strategy here is not necessarily being followed by other large IXC's—yet.

For an IXC to take-back its long distance bill from the local exchange carrier, it must first examine three potential issues: eliminating existing contracts with the LECs for providing printing, mailing and collections services; ensuring that the local public utilities commissions (PUCs) are not opposed to the take-back; and technological considerations such as how a company's billing system will accommodate the higher volume of printing and mailing. According to industry sources, none of these issues amount to much more than a speed bump.

AT&T's Bill Take-Back

Beginning in January, when AT&T sent out letters to some of its Illinois customers informing them that they would receive an AT&T long distance bill separate from their local service bill in 30 days, the nation's largest long distance firm has moved aggressively to take-back its long distance bill from the LECs. To date, customers in Michigan, Connecticut, Florida, Texas, Washington, New York and the New England region have received similar letters.

AT&T sees bill take-back as a strategic decision, driven by a need to give the company increased flexibility to introduce new services to consumers. For example, the AT&T bill features calling plan savings on the front page and more on special offers, products and services throughout. Undoubtedly, it is also an effort to distance the company from the RBOCs in the customer's minds.

AT&T thus far has sent out a letter to those customers whom it has targeted for bill take-back, stating that in 30 days these consumers will receive two bills: one from the LEC, and one from the IXC. Also included in the letter was an 800 number customers should call if they wanted to stop receiving their long distance charges along with their local bill. In a

words, while the take-back was not mandatory for consumers, the method AT&T used required the consumer to take action to maintain their current billing practices.

Thus far, the vast majority of consumers who have been switched to the separate AT&T bill have not made that phone call, said Tom Lang, division manager for AT&T Direct Bill. "Choice is the key," he said. "And our hope is to maintain choice. We have been able to maintain a billing relationship with every RBOC, except for SNET, where the billing relationship was terminated." Lang said AT&T would have preferred to allow Connecticut consumers to receive a combined local and long distance bill from SNET, but once the existing contract with the LEC expired earlier this year, contract renewal talks broke down. "It was a policy consideration for them," Lang said.

CPUC Gets Involved

It was a policy consideration for the California PUC as well, when in July it ordered AT&T to stop taking back billing from Pac Bell until customers are given "adequate notifications of their options," the CPUC said. AT&T was also ordered to send a letter to all residential customers receiving the AT&T bill to give them another opportunity to receive a single bill from Pac Bell for local and long distance charges.

The issue in California was not one of whether the take-back is legal, but whether the IXC had acted in accordance with CPUC rules. For example, the CPUC in a 1994 ruling required a 60-day notice, rather than the 30-day one AT&T provided. Also, AT&T failed to have the customer letter reviewed by the commission's Public Advisor's Office before sending it.

Apart from the CPUC action, many industry watchers believe the PUCs will not block bill take-back as a practice. "We inform the PUCs before we take [bill take-back] action," Lang said. "I don't want to speak for all of them, but we have had no significant issues from PUCs outside of California, or the FCC for that matter." Jim Folk, vice president of revenue operations for MCI, agrees. "It varies from PUC to PUC; some are more laid-back, some are more proactive," he said. "We never have found them to be roadblocks, however; they just want to know what is going on in advance."

RBOC Contracts

Another potential hurdle are the contracts the IXCs have signed with the LECs to provide the printing, mailing and collection services they have had in the past. While each contract is unique, most are flexible, IXC sources said. Some are even tailored around the idea that the IXC and the LEC will continue to do business "as long as we continue to do business, all the way up to time constraints or minimum requirements due." The source added, "Some vendors cared a lot about the terms of the contract, and were very proactive. Others were very much less so."

"Customers like to have one bill, and we are not at the point where we will force march them."

In general, most billing and collections contracts between the IXCs and the LECs last for two to five years, several sources said. Still, these contracts are not seen as much of an impediment by many IXCs, including MCI.

"Certainly, there are obligations we have to honor, or accept some kind of settlement if we cancel the contract," said MCI's Folk. While MCI, like most large IXCs, bills its commercial customers directly, most of its pre-subscribed and casual customers are billed using the RBOCs. (Pre-subscribed means MCI was selected by the consumer as their long

distance carrier, and casual means consumers use MCI for collect calls, operator services or LEC-offered calling cards.)

MCI recently made a splash with MCI One, a package bundling long distance, cellular and paging services. Eventually, this bundle will also include local telephony and satellite television services as well. Unlike AT&T, MCI is not proactively switching customers to a separate MCI One bill, which it sees as a product itself and not a strategic billing decision.

Technical Considerations, Future Choices

The largest IXCs, such as MCI and AT&T, say very little had to change for their billing systems to take-back the bill. Lang said AT&T had "no specific re-engineering of our long distance billing system" to take back the bill, although the company did "beef up" its software for printing, mailing, collections and remittance. Still, this action, intended to accommodate the increased volume of such activities, did not entail "significant dollars," Lang said.

MCI also feels ready to go, should a widespread bill take-back be in the future. "The entire computation and manipulation of the call detail is done in MCI's system" before it is sent to the RBOCs for printing and mailing, Folk said. "It would be more of a capacity issue; more printers, more storage capacity, etc."

Other sources agreed. "All of the long distance providers, down to the resellers, usually have some internal billing capabilities," said one executive with an IXC. "Some may have capacity issues...[but] I don't view that as an issue."

None of the IXC sources said they plan now or in the future to eliminate the combined RBOC-IXC bill for customers who wish to continue receiving it, although in some regions this arrangement was never an option in the first place.

"Customers like to have one bill, and we are not at the point where we will force march them [into accepting a separate MCI long distance bill]," Folk said. What will happen in the future is up in the air, however, he said. "We are still in a period of extreme flux in the industry...we will look at what comes out of the FCC on this, and move forward then."

"Customer choice is the key," said AT&T's Lang. "Those who do find the idea of a separate bill as something they are not interested in can keep the combined bill [through the RBOCs]. Our hope is to continue to maintain that choice."

AT&T to bill separately from Southwestern Bell

By Bruce Hogen
American-Statesman Staff

8/1/96

AT&T no longer wants to be stuffed with Southwestern Bell. The company has begun notifying thousands of customers that it will no longer bill them through monthly statements mailed out by Southwestern Bell.

Instead, customers will receive a separate bill to be paid directly to AT&T.

"It's just all part of the evolving telecommunications industry and the competitive nature of it," said AT&T spokesman Larry Norwood. AT&T hopes to begin offering local phone service as well as long-distance soon.

AT&T is the nation's and state's largest long-distance company with about 66 percent of the market. Under new fed-

eral and state laws, it plans to begin selling local telephone service as well.

Not all customers will get the separate bill initially but AT&T eventually will bill all its long-distance customers separately from Southwestern Bell.

Other services, such as AT&T Wireless, still will be billed separately. But the goal, Norwood said, is to combine all AT&T service charges into one bill.

AT&T said the change in billing does not mean any increase in its charges.

At MCI, a spokeswoman, Leslie Ann, said the company continues to bill through Southwestern Bell for customers who have only long-distance service. However, if a customer subscribes to an additional MCI

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AT&T's separate billing says competition is near

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service, such as paging, a single bill is mailed directly to the customer. Eventually, she said, all customers will get a single MCI bill.

Although it's more convenient to pay one monthly bill, the separate billing by AT&T is good news because it is a harbinger of competition, said James Briesemeister, a telecommunications specialist for the Southwest regional office of Consumers Union.

"While on the one hand in the short term it's more inconvenient, in the long run it signals that there are going to be more competitive choices out there," she said.

AT&T and other long-distance companies have collected charges through Southwestern Bell since 1984, when a federal court consent decree broke up the old Bell system owned by AT&T. A combined bill allowed customers to write a single check each month for local and long-distance service. But now that Southwestern Bell will become its biggest competitor, AT&T is eager to bill separately.

Southwestern Bell believes customers want to deal with a single bill and a single company, said a spokeswoman, Denise Clarke. She said the company expects to give them both once it can offer long distance.

CERTIFICATE OF SERVICE

I, Katie M. Turner, hereby certify that the foregoing, "OPPOSITION OF SBC COMMUNICATIONS INC. TO PETITION FOR RULEMAKING OF MCI TELECOMMUNICATIONS CORPORATION" in Rulemaking (RM) No. 9108 has been filed this 25th day of July, 1997 to the Parties of Record.

A handwritten signature in cursive script, reading "Katie M. Turner", written over a horizontal line.

Katie M. Turner

July 25, 1997